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February 3, 2023

Chairman Simon Kinneen
North Pacific Fishery Management Council
1007 West Third, Suite 400
Anchorage, AK 99501-2252

Dear Mr Kinneen and Members of the Council,

Subj: Rescind February 2022 Halibut CSP Action

We strongly urge you to rescind your February 2022 action reopening the halibut Catch Share Plan (CSP).

In February 2022, the federal legislation regarding the authority for NMFS to participate in the collection of fees to fund the Recreational Quota Entity (RQE) was stalled in Congress. At this meeting the maker of the CSP motion and Council members committed to following through with COMPENSATED reallocation and dropping the CSP should the Congress authorize the RQE funding mechanism.

Since then, the Congress has authorized the collection of fees to fund the RQE. In addition, the Council has already taken action to support the development on necessary regulations to lay out the details of the fee collection program; note that this was done early to expedite regulations as soon as legislation passed.

Attached is our letter of January 28, 2022, providing additional details of our opposition to re-opening the CSP.

In short, we urge the Council to not reopen the CSP and move forward with the program for compensated reallocation as was published in the Federal Register on 21 Sep 2018.

Sincerely,

Tom Gemmell
Executive Director

Alaska Longline Fishermen's Association • Cordova District Fishermen • Deep Sea Fishermen's Union •
Fishing Vessel Owners Association • Halibut Association of North America • Kachemak Bay Fisheries
Association • North Pacific Fisheries Association • Petersburg Vessel Owners Association • Sea Food
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January 28, 2022

Mr. Simon Kinneen, Chair
North Pacific Fishery Management Council
1007 West Third, Suite 400
Anchorage, Alaska 99501-2252

Dear Mr. Kinneen and Members of the Council,

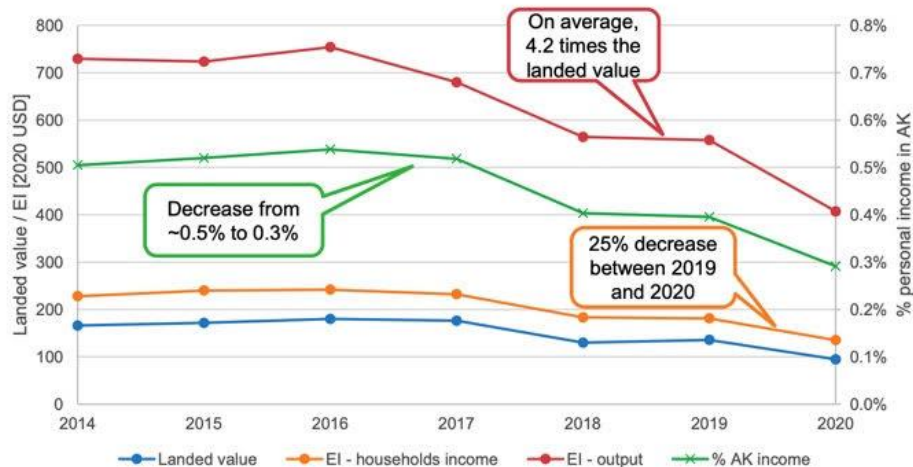
The Catch Sharing Plan (CSP) has met program objectives: creating sector accountability, ending the reallocation, providing a measure of stability to halibut sectors and communities, and providing the charter sector with an uninterrupted season of historic length. The Halibut Coalition strongly objects to the inclusion of reallocation alternatives in this review process.

The CSP already provides the charter sector with an increased allocation at low levels of abundance (Analysis, pages 34-35), shifting the conservation burden and economic impacts to the commercial fleet when halibut stocks are low. When the CSP went into regulation we understood that the Council was ending the uncompensated reallocation that had been ongoing since 1993 (See Enclosure 1); this was further reinforced when the Recreational Quota Entity (RQE) was established to provide a means for compensated reallocation. The RQE is authorized to purchase 10% of the 2C quota share (QS) and 12% of the 3A QS. Until the RQE is in place, the charter fleet has the option of using the GAF program to access additional halibut.

We understand that the RQE has not yet secured federal legislation to authorize the collection of fees to fund the RQE. We would encourage the RQE to look at all options to secure a funding mechanism, including authorization through the Alaska State Legislature for a charter operator assessment tax. The charter fleet assumed responsibility for securing funding when they convinced the Council to adopt the RQE, following an extensive public process that cost the Council, NMFS, and other stakeholders considerable time and funds.

The two-year COVID pandemic has disrupted two seasons for both commercial and charter sectors. Data from these COVID years should be set aside in Council CSP review deliberations. The Halibut Coalition appreciates that the Council and NMFS accommodated both sectors through these challenging years. We would also call to the Council's attention IPHC Annual Meeting Pacific Halibut Multiregional Economic Impact (EI) Assessment by Dr. Hutzniczak, which identifies the substantial socioeconomic impact of the pandemic on the commercial fleet. Reallocation options will further compound the instability.

EI time series



Pacific halibut commercial fishing EI estimates for 2014-2020 in comparison with landed value in mil 2020 USD.



INTERNATIONAL PACIFIC
HALIBUT COMMISSION

IPHC

Slide 18

<https://www.iphc.int/uploads/pdf/am/am098/ppt/iphc-2022-am098-13-p.pdf>

We would like to note the improving situation regarding charter overages in 3A. At the beginning of the CSP, overages ranged from 11-16% as management tools were worked out. From 2018-2019 (pre-COVID), overages dropped into the single percentage digits. This reflects better understanding of the tools at hand. Table 30 (not counting COVID years) indicates that the number of unique anglers has increased in 2C (37.72k in 2014 to 49.93k in 2019) and remained flat in 3A (74.02k in 2014 to 74.35k in 2019) – a data point which suggests management changes are not detrimental to client demand. We have also heard anecdotally that there are new charter boats entering the fleet; this is an indication that the charter sector is doing well in the context of constrained quotas and changes in management measures.

Federal Court Ruling. The Council should also consider this comment from Judge Rosemary Collyer on charter overages in response to a lawsuit by 2C charter interests:

SCOTT VAN VALIN, *et al.*, Plaintiffs, v. GARY LOCKE, Secretary, Department of Commerce, *et al.*, Defendants. Civil Action No. 09-961 (RMC). 11/23/09

*... The [2C] charter sector exceeded the GHL by 22% in 2004; by 36% in 2005; by 26% in 2006; and by 34% in 2007. 73 Fed. Reg. at 78277-78. And in 2008, the guided sport industry harvested more than double the 2008 Guideline Harvest Level, an estimated 1.914 million pounds of halibut. See EA at 9. The Charter Operators' argument that the Secretary should have relied on recent participation data is in essence a claim that they are entitled to a greater allocation of the harvest because they have been harvesting a greater amount in recent years, i.e., that they should be rewarded for exceeding the guidelines year after year. **The Secretary understandably chose not to encourage such overharvesting.** ...*

Uncertainty in charter management measures. The analysis notes the timing of the announcement of annual management measures and the potential impact on booking clients. We support looking at this issue to see if there are ways to provide a more predictable suite of management measures. Whatever solution is adopted by the Council, it must ensure that the charter sector remains within quota. Solutions could come from the

Council (e.g., locking in management measures for two years with a conservative harvest target) or the IPHC (e.g., 3 years averaging of harvest and survey numbers). Everyone in the halibut business must expect biomass changes and must adapt to changes in both the near term and long term.

Commercial longliners also face uncertainty. Fishermen have a hard enough time with loan payments due to biological variability; Council reallocation places an unacceptable burden on commercial fishermen who have invested in quota, particularly fishermen still making loan payments. Fishermen factor abundance changes into their loan decisions. However, instability caused by government action is another issue. The Alaska Commercial Fishing Revolving Loan Fund currently has loans totaling \$5,050,088.17, of which \$1,851,474.85 is 2C and \$3,198,613.32 is 3A. The total number of quota share loans to individuals is 70, 25 of which were for the purchase of 2C quota shares and 45 of which were for the purchase of 3A quota shares (Personal Communication, from Jim A. Andersen, Acting Director, Division of Economic Development | Investments, 21 Jan 2022). Other institutions also make QS loans, and these are in addition to vessel purchase loans.

Non-Transferable Charter Halibut Permits (CHP). Non-transferable CHPs are slowly phasing out. We request the Restricted Access Management Division provide an update on how many CHP have phased out, how many have been inactive for a long time, and provide an actuarial analysis of how long before all non-transferable CHP naturally phase out. This information can inform Council action. The Council was generous in issuing CHPs and this is one factor making it harder to control harvest.

Changes in Other Relevant Factors. The analysis (pg 81) implies that IPHC management has changed since the CSP was adopted. We don't see this as a problem. It is naive to think that IPHC management practices will not evolve and improve. Afterall, don't we have processes in place at both the NPFMC and IPHC to improve management? Businesses based on fish stocks are inherently variable and something that requires adaptation in both the near and long terms.

Value of a halibut/bottomfish charter. (Dashboard. Section 6.2). The analysis seems to allocate the full value of a charter trip to halibut when in fact bottomfish, and possibly salmon, are also harvested during a "halibut" trip. In 2020, charter clients in Southeast and Southcentral, harvested 11,684 Ling Cod; 162,752 Pelagic Rockfish; 9,505 Yelloweye; 8,771 Non-Pelagic Rockfish, and 4,680 Sablefish (Total 340,109 fish)—in the process of harvesting 142,717 halibut. (Personal Communication, Bob Powers, ADFG Sportfish, 23 Dec 2021).



Crazy Rays Adventures, Whittier. <https://crazyraysak.com/alaska-rockfish-fishing/>

Additional economic value discussion is in Encl (2)

In sum, the Halibut Coalition opposes uncompensated reallocation of commercial opportunity to the charter sector. The commercial fishery is the public's access to the halibut resource; millions of halibut meals are enjoyed every year by those who access the halibut resource through the commercial industry. We find uncompensated reallocation unacceptable, particularly when the Council has already approved two mechanisms for compensated reallocation from the commercial to the charter sectors.

Thank you for the opportunity to comment.

Regards,



Tom Gemmell
Executive Director

Enclosure (1) Development of the Council's GHL and other halibut charter policies by year of Council action
Enclosure (2) Halibut Sector Value Discussion

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Enclosure (2) Halibut Sector Value Discussion

The metrics proposed by NOAA for comparing value of commercial and charter sectors under-represent value of the commercial halibut sector while simultaneously over-representing value of the charter halibut sector.

Comparative analyses of sectors' socioeconomic impact are sensitive to initial inputs, in this case gross revenue generated directly from the target species. Models typically use a multiplier to calculate indirect and induced economic impacts, which has the effect of amplifying disparities in direct economic impacts present at the "front end" of the equation.

NOAA proposes to use ex-vessel value of halibut for the commercial sector and to use the daily cost of a halibut charter as a proxy for value of the charter sector. This is an improper comparison that produces significant disparities in the sectors' gross revenue in two ways.

Exclusion of commercial processing activity, inclusion of charter processing activity

- Ex-vessel value represents only one type of economic activity directly associated with the commercial halibut fishery; harvesting. It excludes the value of commercial halibut processing activity that occurs in the ports of landing. First wholesale value of halibut captures the value of raw fish and the value of local processing activity. First wholesale value of halibut is typically 20% (or more) higher than the ex-vessel value of halibut.
- Charter fishing packages often include processing and packaging of clients' fish in the price of the charter, a de facto inclusion of parallel economic activity; seafood processing.

Exclusion of commercial bycatch, inclusion of non-target species caught on charters

- Commercial halibut landings often include salable bycatch that would not otherwise enter commerce. Retention of some bycatch species is mandatory. The value of halibut longline bycatch is excluded from the proposed metric for the commercial sector.
- The proposed measure of charter sector value (daily cost of a halibut charter) does not appear to include specific means to apportion value of the charter between groundfish and other species such as salmon, or to apportion value between halibut and other groundfish such as lingcod, sablefish and rockfish. This has the effect of attributing the value of every fish caught on a charter to a single species; halibut.

Ex-vessel and First Wholesale value

Ex-vessel Value is defined as "the dollar amount received by fishermen for their catch when delivered to a processor". First Wholesale Value is defined as "the value upon sale by a seafood processor to a buyer outside their affiliate network".

Ex-vessel value represents only one category of activity (harvesting) while first wholesale value represents the full measure of local economic activity directly associated with the commercial halibut fishery. First wholesale value captures payment to harvesters for raw fish and captures the economic activity associated with processing the fish in advance of sale outside the processor's affiliate network. First wholesale value of halibut is typically 20% or more above ex-vessel value.

First wholesale data is collected, compiled, and published annually by Alaska Department of Fish and Game. In 2020, ex-vessel value of commercial halibut landings in Alaska was \$67.5 million while first wholesale value of halibut was 23.8% higher at \$83.6 million.

(Source: State of Alaska, ADFG COAR report summary)

Exclusion of commercial bycatch value in the IFQ halibut fishery

The granularity of available data for commercial fisheries allows for narrow analysis of a single species such as halibut and allows for the exclusion of bycatch species normally associated with commercial halibut landings. The commercial value of salable bycatch such as Pacific cod, lingcod, yelloweye and other rockfish adds significant value to the halibut longline fishery but is apparently excluded from the proposed metric of gross revenue generated directly from the target species, halibut.

Allowable bycatch in the Eastern Gulf IFQ halibut fishery is 20% (by weight) for common bycatch species such as Pacific Cod and ranges from 5% to 15% (by weight) for higher value bycatch species such as lingcod and various rockfish.

(Source: ADFG, 2021 groundfish bycatch regulations)

Attribution of charter value to halibut

In contrast, the proposed measure of charter industry value is cost of a halibut charter per day, to be reported with the caveat that “this estimate may include other values derived by anglers”. This approach is problematic because it does not incorporate the ADFG saltwater charter logbook data, which indicate that halibut comprised less than half of the groundfish caught on charters in 2020.

The most recent saltwater charter logbook data (2020) shows charters in Southeast and Southcentral Alaska caught a total of 340,109 bottomfish in 2020. Of these 142,717 fish (42%) were halibut while the majority (197,392 fish, 58% of total) were other bottomfish species such as lingcod, sablefish, pelagic and non-pelagic rockfish.

(Source: Personal Communication, Bob Powers, ADFG Sportfish, 23 Dec 2021).

The use of halibut-specific data for the commercial sector has the effect of sharply defining value of the fishery, excluding the value of bycatch species typically landed with commercial halibut deliveries.

In marked contrast, use of the daily halibut charter rate as a proxy for sector value has the likely effect of attributing value of every fish caught on a charter to a single species; halibut. The vague caveat regarding “other values derived by anglers” is wholly inadequate to support quantitative adjustments to the proposed metric, most likely resulting in no adjustment at all.

Conclusions

The metrics proposed by NOAA amount to an inappropriate comparison of commercial and charter sector values, under-representing the commercial sector and over-representing the charter sector.

While the quality and quantity of available data varies quite substantially between commercial and charter sectors, there are some steps that can be taken to remedy the most obvious disparities;

- Use first wholesale value of halibut for the commercial metric, as reported by ADFG in the Commercial Operators Annual Report (COAR). The COAR data reflects local halibut processing

activity directly associated with the commercial fishery, paralleling the value of seafood processing services included in the price of charters.

- include the value of bycatch species landed with commercial halibut longline deliveries, using ADFG e-landings data from halibut fish tickets. First wholesale value of halibut longline bycatch can be extrapolated from fish ticket data using ex-vessel/first wholesale value ratios by species from the COAR.

For the charter sector, the daily rate is arguably the most appropriate metric for value of the sector. However, in light of the species-specific data available from ADFG saltwater charter logbooks, it is clearly inappropriate to use that metric without a quantitative adjustment for species attribution.

- Use ADFG saltwater charter logbook data to make an appropriate adjustment to the daily charter rate that reflects the proportion of value anglers may derive from catching species other than halibut on a charter.